PressRelease

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FOR IMMEDIATE RELEASE

State regulators approve merger plan for US West-Qwest telephone companies

AT&T must reveal terms of side deal with companies

OLYMPIA, Wash. – State regulators today approved a pending $57 billion acquisition of US West Inc. by Qwest Communications International, Inc.

In a unanimous decision supporting the merger proposal, the Washington Utilities and Transportation Commission (WUTC) said customers would see more investment in the telephone network, credits for poor service and a freeze on local phone rates until 2004.

"The transaction should strike a balance among the interests of customers, shareholders, and the broader public that is fair and that preserves affordable, efficient, reliable and available telecommunications service to Washington consumers," said the three commissioners in a written decision.

Qwest offered to buy US West in June 1999 in a transaction estimated to be $45 billion at the time. Washington regulators along with Colorado, Minnesota, Wyoming, Montana and Utah regulators have now approved the pending merger. Arizona is expected to decide by the end of the month. The Department of Justice and the Federal Communications Commission (FCC) support the merger. However, Qwest is awaiting FCC action on a plan to sell its long-distance service for customers in US West's territory to Touch America, a subsidiary of Montana Power.

In exchange for withdrawing their opposition to the merger, AT&T, along with several other rival carriers participating in the case, negotiated a separate side agreement with Qwest and US West. The deal was filed with the commission as a confidential document but the WUTC said that the three companies must make it public. Any of the companies now have 10 days to go to superior court to prevent disclosure of the agreement.

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This spring the commissioners adopted separate retail and competitive settlement plans. The retail plan was agreed to by the two companies, regulatory staff members and the Office of Public Counsel. The competitive plan was negotiated by both companies and commission staff. The companies expect to complete the merger transaction by the end of July.

Under the retail-agreement plan, Qwest would develop a Consumer Bill of Rights, which would inform and protect the rights of customers to good service, courteous treatment and fair rates. If the company fails to live up to the service-quality standards, the WUTC could require Qwest to refund up to $20 million a year to customers. The commission would require the new company to use Washington-based employees to respond within two business days to customer complaints that have been lodged at the WUTC.

Other benefits would include a package of credits for poor service. For example, Qwest would be required to give a $5 credit if phone service is not restored within two working days and a full monthly credit to every customer if service is out for more than a week.

The new company would be required to continue maintaining its average $335 million investment in the state's telephone network. Qwest also would be required to replace every outdated analog switch in Washington with digital switches and connect every central office to a fiber-optic network. The WUTC would also compel Qwest to clear the current backlog of several hundred orders for regular telephone and data line service.

The retail services agreement, "establishes financial and other incentives for the post-merger company that should promote service quality improvements, and provides mechanisms by which the commission can monitor and enforce US West and Qwest's commitments during the first several years after the merger is consummated," the commissioners said in the order.

The new utility also would be required to invest $1 million annually over the next three years to provide service to customers within the company's territory who are currently without phones. In addition, Qwest would inform low-income residents about a program that would help defray some of their monthly telephone expenses.

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The competitive agreement plan addresses the wholesale conditions of the industry and sets forth terms on how the new company will handle competitors that depend on US West's phone network or must contract with the company to provide a choice for local, long-distance or high-speed Internet service.

Under the competitive deal, Qwest would be required to clear the backlog of about 300 equipment orders from the other telephone companies by the end of the year. If Qwest fails to meet a deadline to fill an order for new lines from a rival provider then Qwest would waive its hook-up fees. If the performance standards are not met, it could cost the new company up to $20 million a year in penalties.

In addition, Qwest would be required to provide some information to competitors about available network facilities and customer location to assist the rivals in developing reasonable forecasts to fill customer orders.

The combined company, to be known as Qwest, formerly the nations's fourth largest long-distance carrier, would employ 64,000 worldwide. US West serves eight out of 10 local telephone customers in Washington for a total of 3 million residential and business phone lines. The phone company serves 25 million customers in 14 Midwest and Western states. Both companies are headquartered in Denver.

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